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September 7, 2008

Ms. Mary Levine, Acting Director of Legal Affairs
Michigan State Housing Development Authority
735 E. Michigan Ave.
Lansing MI 48909

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SEP 10 2007

MSHDA-Legal

RE: DRAFT QUALIFIED ALLOCATION PLAN

Dear Ms. Levine:

I have read the draft Qualified Allocation Plan (QAP) recently released by the Michigan State Housing Development Authority (MSHDA) and would like to express my trepidation. You will find that many of my concerns are in line with those espoused by the Michigan Housing Council. However, I am especially concerned for the recent applicants who in good faith have invested heavily in project submissions. These investments are now total losses due to the proposed changes as outlined in the draft QAP. Some consistency or an allotted time for adaptation would seem to have been in order.

At the public forums many people from Michigan's most experienced affordable housing community asked that certain principles be included in any new QAP. Some of those items requested but not included are:

- Affordable housing practitioners asked for keeping consistency and making only minor changes in order to foster development of affordable housing. MSHDA responded with an untested model for allocating the housing credit to financially risky projects at a time when MSHDA, the lender, is foreclosing on mortgage loans at an unprecedented rate.
- Affordable housing practitioners asked for incentives to target extremely low-income households. MSHDA responded with unfunded mandates to target extremely low-income households.
- Affordable housing practitioners asked for a fair allocation of scarce resources. MSHDA responded by directing housing credit to the city(ies) of their choice and to special interest groups. The Native American set aside is an example of a troubling policy. Shortly all tribal communities in the state will have a gaming compact and many if not all of the gaming activities provide annual per diems paid to tribal members plus employment opportunities that disqualify them for the LIHTC benefits. Is there truly a need for this set aside or is such targeting simply a reallocation of scarce resources in ways that may have nothing to do with need? An opportunity to review the supporting data would greatly further the housing practitioner's level of understanding.
- Affordable housing practitioners asked for a continuation of the set aside for preservation of existing affordable housing developments. MSHDA eliminated the preservation holdback entirely.
- Affordable housing practitioners asked for a streamlined approval process for tax credit applications. MSHDA failed to adequately address this concern, effectively maintaining a burdensome process for both the housing practitioners as well as the MSHDA staff. The incredible stress that MSHDA staffers are subjected to is clear to those outside the organization. This is not a complaint addressed at the staffers but a sincere, empathetic, concern for their working conditions. As partners in this process I would highly recommend policies that reduce this burden and provide the opportunity for a better partnering environment.

Additionally, I am troubled by several new features of the proposed QAP. My first concern is the new requirement whereby LIHTC applicants must submit to criminal background checks. I believe this is a pointless and offensive exercise and request that you identify the reasons behind the conclusion that criminal background checks are needed in the administration of the LIHTC program. I would also like assurances that if required, such information will remain confidential and that MSHDA stand ready to indemnify LIHTC applicants if the information were to somehow become public or misused by MSHDA staff. Finally, if such a requirement is deemed appropriate it would be prudent to define "criminal" behavior so that participants are not left to wonder if something that seems as inconsequential as a speeding violation might trigger disqualification.

Secondly, developers have traditionally desired enough time between funding rounds to allow for improving their application and to reapply in the next funding round if an award has not been achieved. The Expected Award date of March 2008 and the next Funding Round date of April 2008 make the opportunity to reapply out of the question.

Thirdly, "delivery service (e.g., post, overnight, courier)" are terms not succinctly defined and subject to controversy. Elimination of this requirement would be wise. For instance, is payment of \$25 to a person walking by the MSHDA offices to walk through the front entrance with an application qualify this delivery as performed by a "courier"?

Fourthly, it appears that rural areas are suffering discrimination to the benefit of more urban areas. If a community can only have applications submitted in one funding round per year these affordable housing communities become riskier and more difficult to develop forcing practitioners to seek out more urban areas for developmental activities which ties directly into the set asides that appear to favor urban settings as well. It would be very beneficial to have a greater understanding why such discriminative practices are deemed desirable.

Finally, I question the fifty percent (50%) increase in monitoring fees. These fees have increased over time at a rate that far exceeds the rate of inflation for the time period under question. Rents and expenses of developments are tied to a presumed overall rate of increase, inflation, and it would seem that the operating expenses for the Housing Authority should be restricted in the same manner. The rate of inflation since the last fee increase would suggest an increase of approximately half of what has been proposed. An explanation of this discrepancy or a reduction in the fee rate would seem warranted.

The draft QAP fails as a policy initiative and I believe it will handicap the production of affordable housing in Michigan, compounding the problems already faced by the Michigan economy and our construction industry, and injure those citizens that rely on affordable housing for clean, safe and decent living conditions. I strongly recommend you reconsider this document and bear in mind the consequences before taking action on the draft QAP.

The draft QAP should not be adopted by the MSHDA Board or approved by the Governor without significant revisions, and until an acceptable plan can be put forward, MSHDA should immediately schedule an October tax credit round using the current QAP.

Thank you for this opportunity to express my concerns.

Sincerely,

PROPERTY MANAGEMENT SOLUTIONS, LLC



Robert Kabbe
Member